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Report Highlights: Vietnam produced an estimated 35,264 thousand metric tons of rice in 2007. Total rice exports for 2007 were estimated at 4.5 million metric tons, valued at \$1.45 billion. Rice exports for 2008 are projected to reach 4 to 4.5 million metric tons. A rice export policy to control the flow of exports was recently announced. Vietnam's corn production increased by 11.3% in 2007, while imports declined by 10%. However, U.S. corn exports to Vietnam increased 42% in 2007. Import tariff on corn was reduced to zero percent as of January 1, 2008. Wheat imports for 2007 remained at the same level as the previous year. However, U.S. wheat exports to Vietnam skyrocketed to 68 thousand metric tons in marketing year 2007; almost five times more than the previous marketing year.

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Table of Contents

SITUATION AND OUTLOOK.....	3
1. RICE.....	4
STATISTICAL TABLES.....	4
Table 1.1 Vietnam's Production, Supply and Demand for Rice.....	4
1.1 PRODUCTION	5
1.2 CONSUMPTION	8
1.3 TRADE / COMPETITION	8
1.4 POLICY.....	10
2. CORN	11
STATISTICAL TABLES.....	11
Table 2.1 Vietnam's Production, Supply and Demand for Corn	11
Table 2.2 Vietnam's Corn Import	12
2.1 PRODUCTION	13
Table 2.3 Vietnam Corn Production in 2006-2008.....	13
2.2 CONSUMPTION	13
2.3 TRADE / COMPETITION	13
Table 2.4 United States Annual Corn Exports to Vietnam.....	14
3. WHEAT	15
STATISTICAL TABLES.....	15
Table 3.1 Vietnam's Production, Supply and Demand for Wheat.....	15
Table 3.2: Vietnam's wheat Import	16
3.1 PRODUCTION	17
3.2 CONSUMPTION	17
3.3 TRADE / COMPETITION	17
Table 3.3 U.S. Wheat Exports to Vietnam (MT).....	17

SITUATION AND OUTLOOK

Vietnam's total rice production for 2007 was 35,264 thousand metric tons, a slight increase over 2006. Even with some output loss due to bad weather, production managed to increase by 1.5% owing to better overall yields. An estimated 4.5 million metric tons of rice, valued at \$1.45 billion was exported in 2007. Rice export targets for 2008 are set at 4 to 4.5 million metric tons. Concerns have been raised about rice export marketing strategies which do not always afford Vietnam the best prices. A new rice export policy was recently announced which should address this issue as well as regulate the flow of rice exports. Currently there is a halt on new rice export contracts, which should again resume in June 2008. Contracts for exports of 1.8 million metric tons of rice have already been approved thus far this year.

Local corn production for 2007 increased 11.3% percent to 4,250 thousand metric tons. Corn imports declined by about 10% from the record high of 2006. Nevertheless, U.S. corn exports to Vietnam continued the increasing trend of 2006, increasing 42% in 2007 to 29.7 thousand metric tons. Import tariff on corn was cut to zero percent in January 2008. Given continued strong demand from the thriving animal feed sector and a more favorable tariff structure, prospects are even brighter for continued U.S. corn export growth.

Vietnam imported an estimated 1.2 million metric tons of wheat in 2007, the same level as 2006. Demand for wheat remains strong, but imports remained flat due to imports of large quantities of cheap Chinese wheat flour flooding the market last year. U.S. wheat exports made huge inroads into the market, however, with exports of 68 million metric tons; almost five times more than the usual quantity. Wheat exports from Australia, the major supplier of Vietnam's wheat, declined about 30 percent last year as a result of drought and bad weather. This opened up opportunities for U.S. wheat in 2007, and all indicators point to another good year in 2008.

Vietnam has now completed biosafety regulations for field trials of biotech crops and regulations for commercialization of biotech foods. These regulations have been reported to WTO, and USG has already submitted its comments. Elements in these regulations relevant to labeling and certification are of particular concern and could potentially hamper or impede trade of biotech grain and seed exports. FAS/Hanoi continues to work with the Vietnam government to rectify this before the regulations become effective.

1. RICE

STATISTICAL TABLES

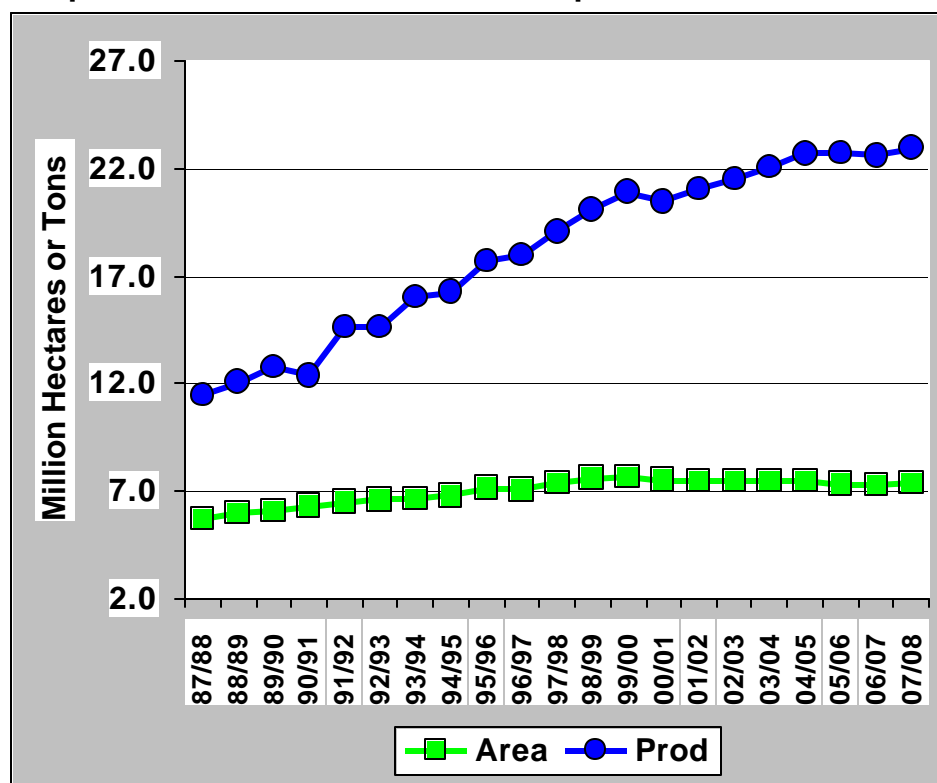
Table 1.1 Vietnam's Production, Supply and Demand for Rice

Country	Vietnam								
Commodity	Rice, Milled		(1000 HA)(1000 MT)(MT/HA)						
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2007	01/2007		01/2008	01/2008		01/2009	01/2009
Area Harvested	7211	7211	7203	7250	7250	7240	0	0	7205
Beginning Stocks	1317	1317	1317	1392	1661	1436	1386	1622	1403
Milled Production	22894	22894	22922	23261	23261	23274	0	0	23241
Rough Production	34688	34688	34730	35244	35244	35264	0	0	35214
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600	0	0	6600
MY Imports	450	450	450	450	450	450	0	0	450
TY Imports	450	450	450	450	450	450	0	0	450
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	24661	24661	24689	25103	25372	25160	1386	1622	25094
MY Exports	4522	4500	4506	5000	5000	5000	0	0	5000
TY Exports	4522	4500	4506	5000	5000	5000	0	0	5000
Total Consumption	18747	18500	18747	18717	18750	18757	0	0	18770
Ending Stocks	1392	1661	1436	1386	1622	1403	0	0	1324
Total Distribution	24661	24661	24689	25103	25372	25160	0	0	25094
Yield (Rough)	4.810429	4.810429	4.821602	4.861241	4.861241	4.870718	0	0	4.887439

1.1 PRODUCTION

Vietnam produced an estimated 35,264 thousand metric tons of rice in 2007, an increase of 533 thousand metric tons or 1.5% over 2006. Total production area was 7,203 thousand hectares, down by about 114 thousand hectares or 2% from 2006. Both production area and output were affected by weather, particularly the Winter crop or Lua Mua. Total output, nevertheless, increased slightly over the previous year due to better overall yields.

Graph 1: Vietnam's Historical Rice production and area



Source: FAS/OGA/IPA

An unusually cold spell in the north of the country in early 2008 killed about 148 thousand hectares of mature plant and 10 thousand hectares of seedlings. The Ministry of Agriculture and Rural Development (MARD) urged farmers to replant their fields as soon as possible and is assisting with defraying costs for up to 3,000 metric tons of seeds being imported from China to help fulfill the 21 thousand metric tons needed. The 2008 Spring harvest is expected to be about a month later this year, as a consequence,

Reportedly provinces in the Mekong River Delta are planning to plant up to 8,000 hectares less for their 2008 Spring crop than the 1,506 thousand hectares harvested for the 2007 Spring crop. MARD, in coordination with authorities at the provincial level, has been advising farmers on planting schedules and techniques in order to avoid pest infestations. The Mekong Delta or Cuu Long is spread across 12 provinces that collectively have about 2.97 million hectares of farmland and produces over 50% of Vietnam's rice output and 90% of the country's rice exports. The

Mekong Delta region is expected to produce about 19,864.2 thousand metric tons of paddy in the 2008 market year.

Table 1.2 Vietnam's Rough Rice Area, Yield and Production (Revised March 2008)

Marketing Year	2006 Revised		2007 Estimate		2008 Forecast	
Harvested Area (tha)	Old	New	Old	New	Old	New
Winter ¹	2,006	1,998	2,000	2,000		1,960
Spring ²	2,985	2,985	2,995	2,985		2,995
Autumn ³	2,220	2,220	2,255	2,255		2,250
TOTAL	7,211	7,203	7,250	7,240		7,205
Yield (mt/ha)						
Winter	4.19	4.23	4.20	4.20		4.22
Spring	5.46	5.46	5.65	5.60		5.60
Autumn	4.50	4.50	4.40	4.50		4.52
TOTAL	4.81	4.82	4.86	4.87		4.89
Production (tmt)						
Winter	8,400	8,443	8,400	8,400		8,271
Spring	16,298	16,298	16,922	16,716		16,772
Autumn	9,990	9,990	9,922	10,148		10,170
TOTAL	34,688	34,731	35,244	35,264		35,213

¹ Lua Mua (10th Month), ² Winter-Spring, ³ Summer-Autumn

Source: MARD, Post's estimates

Post revises the Spring crop with both lower harvested area and yield. Total Spring production is forecast to decline by about 206 thousand metric tons. Post also revises up the yield for the Autumn crop equal to last year's level, given expected good weather.

Table 1.3 Rice Production in the Mekong Delta by Marketing Year

(000 ha; mt/ha; ,000 mt)

	2005			2006 (Revised)			2007 (Estimate)		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
Winter	363	3.83	1,393	350	3.91	1,369	347	3.97	1,377,000
Spring	1,500	6.00	8,998	1,506	6.04	9,099	1,498	6.14	9,192,000
Autumn	1,910	4.07	7,803	1,823	4.54	8,275	1,801	4.59	8,270,000

* Includes main Autumn and late Autumn

Source: MARD, Post estimate

DOMESTIC PRICES

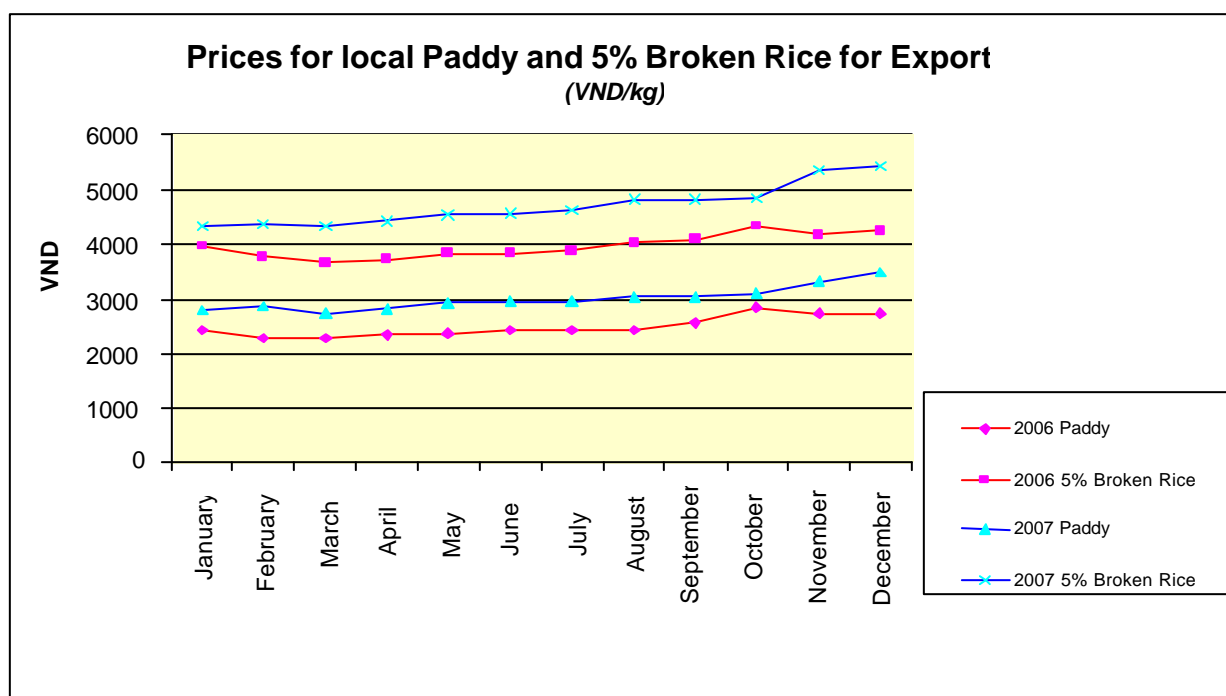
Prices for both paddy and milled rice remained strong throughout 2007, increasing as much as 29 percent and holding steady even during periods of great supply in the peak of the harvest. Local prices benefited from strong demand and sharp increases in international prices, particularly when India discontinued exporting rice towards the end of 2007.

Table 1.4 Local Paddy and Export Rice Prices in the Mekong River Delta, 2006-2007
(VND/kg)

	2006		2007	
	Paddy	5% Broken Rice for export*	Paddy	5% Broken Rice for export*
January	2,420-2,450	3,950-4,000	2,750-2,800	4,300-4,350
February	2,250-2,300	3,750-3,780	2,850-2,900	4,350-4,400
March	2,250-2,300	3,650-3,700	2,700-2,750	4,300-4,400
April	2,300-2,350	3,700-3,750	2,800-2,850	4,400-4,450
May	2,350-2,400	3,800-3,850	2,900-2,950	4,500-4,550
June	2,400-2,450	3,800-3,850	2,900-3,000	4,500-4,600
July	2,400-2,450	3,850-3,900	2,900-3,000	4,600-4,650
August	2,400-2,450	4,000-4,050	3,000-3,100	4,800-4,850
September	2,550-2,600	4,050-4,100	3,000-3,100	4,800-4,850
October	2,800-2,900	4,300-4,400	3,050-3,150	4,800-4,900
November	2,650-2,800	4,150-4,200	3,300-3,350	5,300-5,400
December	2,650-2,800	4,200-4,300	3,450-3,550	5,400-5,450

*Price quoted alongside vessel, without bag

Source: combined data/ Vietnam Food Association



1.2 CONSUMPTION

Vietnam's per capita rice consumption is currently about 150kg/yr, which reflects a 12% drop from per capita consumption levels ten years ago. This decline in rice consumption is consistent with patterns in other countries in Asia, where as the economy develops consumers have greater means and access to other foods, with consumption of rice per capita tending to decline as income increases. In Vietnam's case, the data indicate a constant level of increase in rice consumption, much of which appears to be attributable to use in home-made animal and aquaculture feeds and the beer industry. Reportedly the beer industry uses up to 30% milled rice in its ingredients. Post estimates the increase for total consumption at 13,000 MT for MY 2008.

1.3 TRADE / COMPETITION

Trade

Vietnam is currently ranked as the second largest rice exporter, with exports totaling 5 million MT in 2005 and 4.5 million MT in both 2006 and 2007. Notwithstanding this, there is a feeling here that Vietnam has not benefitted fully from this position due to poor marketing strategies. Contracts for the entire years' exports are often signed within the first two quarters of the year, locking in prices, which may be much elevated when the contracts are actually fulfilled. This practice can also put a strain on domestic supply and prices. In an effort to regulate the flow and price of this staple food, the government recently issued new rice export registration regulations. (See Policy below) The Vietnam government has set rice export targets for 2008 at 4.0 - 4.5 million metric tons, subject to review and adjustment in the third quarter, when production data for the main crops of the year should be available.

Exports

Vietnam's rice exports for 2007 totaled 4.5 million metric tons, valued over \$1.45 billion. Asia is Vietnam's largest export market, accounting for 70% of exports, with the bulk of this going to the Philippines, Indonesia, Malaysia, Japan and Singapore. Although rice exports for 2007 were down about 4% from 2006, earnings were 15% higher due to much better prices. The average export price in 2007 was \$295/MT, an increase of \$41/MT over 2006.

The Philippines was the largest single buyer of Vietnamese rice, with 1.5 million MT. Indonesia bought a record 1.2 million MT by both government and private contracts. However, as most contracts for these huge quantities were signed in the early half of the year, earnings were much less than current prices at the time of shipment. Already in 2008, there are export contracts signed for a million metric tons for the Philippines; signed within the first quarter of 2008.

Japan is seen as a promising high value market. In the past, Vietnam exported as much as 120,000 tons of rice to Japan, and in 2007 Vietnam Food Association (VFA) set export targets of 150,000 - 170,000 MT. However, only about 64 thousand metric tons of rice were actually shipped to Japan in 2007.

According to reports from the Ministry of Industry and Trade, Vietnam has already exported 381,000 tons of rice, valued at \$150 million, in the first two months of 2008. This represents a 47% increase in quantity and a 78% increase in value over the same period in 2007.

Vietnam Rice Exports by Grade and Destination, January - December 2007

	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
ASIA	371,159	14,662	1,136,868	1,536,168	2,649	87,503	4,232	2,375	3,155,616
In which: Indonesia	8,150	2,250	991,968	74,470	500	73,136	-	20	1,150,494
Philippines	32,046	2,294	36,650	1,433,405	1,000	2,131	385	-	1,507,911
Malaysia	279,638	-	5,852	7,700	-	-	168	230	293,588
Singapore	9,192	9,003	22,148	1,500	652	4,683	1,970	41	49,189
East Timor	72	-	28,420	-	-	-	750	-	29,242
Iraq	-	-	-	-	-	-	-	-	-
Iran	33,260	-	-	-	-	-	-	-	-
Syria	-	-	-	-	-	-	-	-	-
Yemen	-	-	-	-	-	-	-	-	-
North Korea	2,000	-	-	-	-	-	-	-	-
Japan	-	-	45,070	19,067	-	-	-	16	64,153
Cambodia	-	-	-	-	-	-	-	-	-
Hong Kong	65	-	-	-	497	100	231	-	893
others*	6,736	1,115	6,760	26	-	7,453	728	2,068	24,886
AFRICA	685,094	11,825	10,125	500	1,000	92	9,666		718,302
In which: Tanzania	20,074	-	575	500	-	-	400	-	21,549
Senegal	1,750	-	-	-	-	-	-	-	-
Angola	74,329	-	-	-	-	-	66	-	74,395
Rwanda	-	-	-	-	-	-	-	-	-
Ghana	74,177	-	-	-	-	-	24	-	74,201
Uganda	-	-	-	-	-	-	-	-	-
Ivory Coast	66,420	-	-	-	1,000	-	4,105	-	71,525
Reunion	-	-	-	-	-	-	-	-	-
West Africa	-	-	-	-	-	-	-	-	-
Mozambique	13,250	-	-	-	-	-	100	-	13,350
Yemen	5,717	-	-	-	-	-	-	-	5,717
Kenya	8,415	-	500	-	-	-	-	-	8,915
Congo	26,772	-	-	-	-	-	-	-	-
Libya	-	-	-	-	-	-	-	-	-
Algeria	6,659	125	-	-	-	-	-	-	6,784
others*	387,531	11,700	9,050	-	-	92	4,971	-	413,344
EUROPE and CIS	53,947	16,513	1,614	4,646		12	6,526	1,818	85,076
In which: Russia	24,151	10,795	-	46	-	-	197	-	35,189
Ukraine	5,176	1,706	1,364	4,600	-	-	-	-	12,846
Poland	-	-	-	-	-	-	-	-	-
others*	24,620	4,012	250	-	-	12	6,329	1,818	37,041
AMERICAS	2,766	11,040	168,825	247,175	-	-	188	40	430,034
In which: Cuba	-	11,040	168,825	247,175	-	-	-	-	427,040
Brazil	42	-	-	-	-	-	-	-	42
AUSTRALIA	31,274	783	-	-	3,550	-	382	-	35,989
UNKNOWN	1,504	3,114	-	-	-	-	-	76,800	81,418

TOTAL	1,145,744	57,937	1,317,432	1,788,489	7,199	87,607	20,994	81,033	4,506,435
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* Others indicate that no clear destination was declared. It may/may not include the countries in the list of the same region
Source: Trade

Imports

Rice import volumes from Cambodia and Laos for 2007 are estimated at around 450 thousand metric tons. Accurate data for this trade is difficult to get as the rice movement across these borders often passes within the complicated network of the Mekong river system, making tracking difficult. Reportedly, several Vietnamese farmers also have paddy rice investments in Cambodia for additional rice production. Rice imported from Cambodia is used mostly for local consumption in Vietnam.

1.4 POLICY

On March 26, 2008 Vietnam Food Association (VFA) issued new rice export registration regulations for 2008. Under these regulations, the total quantity registered for the first six months of 2008 may not exceed 50% of the average export quantity for the two preceding years. Additionally, rice registrations within each quarter may not exceed the total export quantity planned for that quarter, as set by the Ministry of Industry and Trade (MOIT). Exporters are required to have at least 50% of the contracted amount in available stocks, and export prices should be inline with the price guidance set by VFA. Shipping should be no later than two months after the date of the contract. Exporters may sign contracts with any buyer except those who have already signed “intense contracts” with Vietnam; namely NFA of the Philippines, Bulog of Indonesia, Alimport of Cuba and Bernas of Malaysia. Contracts for glutinous (sticky) and aromatic rice are not subject to this restriction.

With “intense contracts”, VFA will select exporters to attend the tenders for intense contracts in an open and transparent manner. Exporters winning “intense contracts” may directly export a minimum of 30% of the total contract volume. VFA will assign the remaining balance to its other members as export consignments.

2. CORN

STATISTICAL TABLES

Table 2.1 Vietnam's Production, Supply and Demand for Corn

Country	Vietnam								
Commodity	Corn								
	(1000 HA)			(1000 MT)			(MT/HA)		
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		05/2006	05/2006		05/2007	05/2007		05/2008	05/2008
Area Harvested	1150	1150	1073	1200	1200	1150	0	0	1200
Beginning Stocks	397	25	397	449	87	398	409	57	398
Production	4312	4312	4251	4560	4560	4600	0	0	5040
MY Imports	650	650	650	700	700	700	0	0	750
TY Imports	650	650	650	700	700	700	0	0	750
TY Imp. from U.S.	11	30	17	0	50	30	0	0	40
Total Supply	5359	4987	5298	5709	5347	5698	409	57	6188
MY Exports	10	0	0	0	0	0	0	0	0
TY Exports	10	0	0	0	0	0	0	0	0
Feed Consumption	3850	3850	3850	4250	4230	4250	0	0	4675
FSI Consumption	1050	1050	1050	1050	1060	1050	0	0	1168
Total Consumption	4900	4900	4900	5300	5290	5300	0	0	5843
Ending Stocks	449	87	398	409	57	398	0	0	345
Total Distribution	5359	4987	5298	5709	5347	5698	0	0	6188
Yield	3.749565	3.749565	3.961789	3.8	3.8	4	0	0	4.2

Table 2.2 Vietnam's Corn Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Corn		
Time Period	Jan – Dec	Units:	Metric Tons
Imports for:	2006		2007
U.S.	21,000	U.S.	29,700
Others		Others	
Argentina	202,000	Argentina	75,000
China	62,000	China	36,000
India	7,000	India	72,000
Laos		Laos	12,000
Myanmar		Myanmar	10,000
Thailand	300,000	Thailand	340,000
Total for Others	571,000		545,000
Others not Listed	68,000		18,300
Grand Total	660,000		593,000

2.1 PRODUCTION

In 2007, Vietnam produced an estimated 4,250 thousand metric tons of corn, an increase of 11.3% over 2006. Production area also increased by about 4%, as did yields which were 7% better than 2006. The Ministry of Agriculture and Rural Development, MARD, is focusing on improving yields to increase production levels, and efforts are underway to replace old seed varieties with high yielding hybrid seeds. The Animal Feed Association also lamented the low yield rates for current seeds, which still fall below 4 tons per hectare, unlike the 5 to 6 tons per hectares in other countries. Post forecasts Vietnam's 2008 corn production at 4,600 thousand tons as a result of improved yields and increased planting area.

Table 2.3 Vietnam Corn Production in 2006-2008

	Unit	2006	2007		2008 Forecast
			estimate	revised	
Planting area	1,000 hectares	1,032.00	1,150.00	1,072.80	1,150.00
Yield	mt/ha	3.70	3.75	3.96	4.00
Production	1,000 mt	3,818.40	4,312.50	4,250.90	4,600.00

Source: MARD / Post's Estimate

2.2 CONSUMPTION

Vietnam's corn consumption is largely in the production of animal feed, which accounts for about 80 percent of total consumption. According to Vietnam's Animal Feed Association, the feed demand for 2007 was 17 million tons. Reportedly, local inputs can supply the greater share of the energy needs, though increasingly, in recent years, Vietnam must import more and more of its feed energy inputs.

Lower tariffs continue to put pressure on domestic prices, and this could lead to much slower growth in production in coming years. Further improvements in local yields should be possible in the coming years, but competition from corn produced in countries with fewer constraints on land and climates more conducive to corn production will undoubtedly negatively impact Vietnamese corn production in coming years. Limits on storage and grain handling facilities are also determining factors for future growth.

2.3 TRADE / COMPETITION

Vietnam's corn imports for calendar year 2007 declined by about 10% from 2006's record high to a total of 593 thousand metric tons. High international corn prices forced some buyers to look for alternate sources locally, with rice and its byproducts being the favored substitute. When rice prices soared in the latter half of the year, however, corn again became competitive.

U.S. corn exports to Vietnam in calendar year 2007 increased 42% over 2006 to 29.7 thousand metric tons. Unlike 2006 when much of Vietnam's corn imports came from Argentina, corn imports in 2007 came from several markets in the region, with India's exports increasing almost 930%.

Vietnam recently cut the tariff on corn to zero percent for countries with Most Favored Nation (MFN) status. This combined with reduced shipping rates for empty containers returning to Asia from the United States should help boost U.S. corn exports to Vietnam. Post forecasts 2008 corn imports will increase beyond current levels in response to strong demand for this key feed ingredient.

Table 2.4 United States Annual Corn Exports to Vietnam

Quantities in MT

				JANUARY – DECEMBER					JANUARY – DECEMBER		
				QUANTITIES					COMPARISONS		
				2002	2003	2004	2005	2006	2006	2007	%CHNG
VIETNAM	MAIZE EXCEPT SEED	100590	MT	199.4	296.2	268.7	307.8	20,973.1	20,973.1	29,699.5	41.61
TOTAL			MT	199.4	296.2	268.7	307.8	20,973.1	20,973.1	29,699.5	41.61

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

3. WHEAT

STATISTICAL TABLES

Table 3.1 Vietnam's Production, Supply and Demand for Wheat

Country	Vietnam								
Commodity	Wheat		Units: (1000 HA)(1000 MT)(MT/HA)						
	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	0	0	0	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	0	0	0	0	0	0	0	0	0
MY Imports	1293	1300	1157	1200	1400	1400	0	0	1500
TY Imports	1293	1300	1157	1200	1400	1400	0	0	1500
TY Imp. from U.S.	83	50	74	0	60	150	0	0	200
Total Supply	1293	1300	1157	1200	1400	1400	0	0	1500
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	100	200	100	100	220	220	0	0	250
FSI Consumption	1193	1100	1057	1100	1180	1180	0	0	1250
Total Consumption	1293	1300	1157	1200	1400	1400	0	0	1500
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	1293	1300	1157	1200	1400	1400	0	0	1500
Yield	0	0	0	0	0	0	0	0	0

Table 3.2: Vietnam's wheat Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Wheat		
	Units: Metric Tons		
Time Period	Jul-Jun		July – Dec*
Imports for:	2006		2007
U.S.	73,500	U.S.	72,017
Others		Others	
Argentina	147,496	Argentina	0
Australia	434,176	Australia	155,269
Black Sea	0	Black Sea	0
Brazil	34,350	Brazil	0
Canada	235,554	Canada	196,086
China	202,440	China	169,254
Total for Others	1,054,016		520,609
Others not Listed	29,780		1,749
Grand Total	1,157,296		594,375

* 2007 totals are for six months only

3.1 PRODUCTION

Vietnam produces no wheat.

3.2 CONSUMPTION

Though rice remains the staple food in Vietnam, the proportion of wheat-based products is gradually rising. The Vietnamese consumer is not yet a sophisticated consumer of wheat products and does not demand as high a quality as consumers in more developed markets. Nevertheless, noodles, which have the largest share of wheat-based products, require flour with high gluten content. The food industry uses about 85% of wheat imports with the remaining 15% going to the feed industry.

Wheat flour is a primary ingredient in the aquaculture feed industry. Vietnam's aquaculture industry is thriving, increasing 23% in 2007, with production set at 2.085 million metric tons. Continued strong growth in this sector will help spur increasing demand for wheat. Post estimates Vietnam's marketing year 2008 wheat imports at 1,400 thousand metric tons.

3.3 TRADE / COMPETITION

Vietnam's wheat imports for marketing year 2007 remained at the 2006 level of 1.2 million metric tons. Higher international wheat prices slowed import growth. Reportedly, as much as 150 thousand metric tons of cheap Chinese wheat flour flooded the market, helping to fill import shortfalls; this flour supposedly entered the country through both official and undocumented cross-border channels.

Australia has long dominated the Vietnam wheat market, supplying fifty percent or more of Vietnam's total wheat imports. In MY 2007, however, Australia's wheat exports to Vietnam declined by as much as 30% due to drought and other weather factors. This shortfall opened up opportunities for other exporters, including U.S. wheat exporters, who shipped a record 68 thousand metric tons of wheat to Vietnam in MY 2007; almost a five-fold increase over the previous market year's 14 thousand metric tons. Early indications point to an even greater record for U.S. wheat exports in MY08, with exports already surpassing the total for MY07.

Table 3.3 U.S. Wheat Exports to Vietnam (MT)

Variety	MY 06/07	Jun-Dec 07
Wheat – SRW		2,017
Wheat – HRW		33,998
Wheat – HRS	45,862	21,090
Wheat – White	22,056	14,912

Source: USDA/FAS/Export Sales Reporting